

### **STATEMENT OF ACTIVITIES**

Note: The following questions and answers were formulated using ASBO International's GASB Statement No. 34 Implementation Recommendations for School Districts (hereafter, referred to as ASBO's Implementation Recommendations). OPI supports ASBO's recommendations and encourages the use of this publication for further information and guidance. Other resources are GASB Implementation Guides (see GASB website at <http://www.gasb.org/repmoel/index.html>) and the AICPA (September 2002) Audits of State and Local Governments (GASB 34 Edition).

**Q: What is the Statement of Activities?**

A: The Statement of Activities is conceptually related to an income statement. Both types of statements report revenues, expenses and changes in net assets for the current year; however, the new reporting format requirements are dramatically different.

**Q: What format should be used to present the Statement of Activities?**

A: ASBO recommends as a minimum reporting format the example "Statement of Activities" as shown in Figure 2-2 (page 23) in ASBO's Implementation Recommendations.

**Q: At what level (e.g., program, function, object) should the Statement of Activities be reported?**

A: ASBO recommends reporting by function, and remaining closely aligned with functions as distinguished in the Federal Accounting Handbook 2R2. OPI agrees and encourages the use of major functional categories (e.g. Instruction (1000), Support Services – Pupils (2100), etc.) in the State's school district chart of accounts, which reflects federally recognized function categories.

**Q: How should acquisition of items falling under the district's capitalization policy be reported on the Statement of Activities?**

A: Items purchased and capitalized in the current year are not reported as current expenses on the Statement of Activities, but rather as additions to capital assets on the Statement of Net Assets, less accumulated depreciation.

**Q: How should depreciation of assets be reported on the Statement of Activities?**

A: Current year depreciation of capital assets directly associated with a specific function or a small number of functions must be reported as a direct expense of that function(s). For example, the depreciation expense for a school bus used 80% for pupil transportation on the bus route and 20% for activities and athletics should be shown under the transportation function (80%) and under Athletic/Activities (20%).

Depreciation expense for assets that serve essentially all functions, such as a school building, may be allocated in any of the following ways:

- a. among the functions,
- b. included in a “general” expenses function, or
- c. reported as a separate line.

ASBO recommends reporting depreciation expense not directly related to specific functions on a separate line titled “Depreciation (unallocated)”. ASBO also recommends that districts establish policies and procedures for identifying and classifying assets as direct or indirect at the time of purchase and whenever changes are made to their assignment.

**Q: How should other indirect expenses, such as interest on long-term debt and general administration be allocated?**

A: GASB 34 allows a district to include an Indirect Expense column to the right of the Expenses column for allocation of the indirect expenses such as interest on long-term debt, depreciation and general administration over the remaining functions. However, ASBO **discourages** this approach, believing that some taxpayers might interpret this as an attempt to hide administrative costs among the other functions. In order to achieve uniformity and comparability, ASBO encourages reporting these indirect costs in the Expenses column under the Support Services sub-heading.

**Q: What are program revenues and how are they reported on the Statement of Activities?**

A: Program revenues are reported to the right of gross expenses on the Statement of Activities. There are two types of program revenues:

Charges for Services – fees and other charges to the users or recipients of the services the district provides, such as food service sales and reimbursements, rental fees for school facilities or buses, athletic or spectator fees, tuition or library fines.

Grants and Contributions – funds received by the district that are restricted for a particular purpose, such as title programs, special education, transportation and food and nutrition aid. Grants and Contributions are further separated into columns for:

- Operating – to finance the district’s annual operating activities, and
- Capital – to fund the acquisition, construction, or renovation of capital assets.

**Q: Where are revenues such as direct state aide, guaranteed tax base subsidy, state block grant, property taxes and interest earnings reported on the Statement of Activities? Why?**

A: Federal and state aid not restricted to a specific purpose and property taxes are presented as General Revenues immediately following the total net expense of the functions. These revenues represent amounts available to the school district to finance the net cost of services not funded by program revenues.

**Q: Which revenues are program revenues and which are general revenues?**

A: OPI provides a chart of program and general revenues. The chart can be found at <http://www.opi.state.mt.us/schoolfinance/gasb34.html>.

**Q: What impact will GASB 34 have on the General Fixed Assets (GFAAG) and General Long-Term Debt (GLTDAG) Account Groups?**

A: The account groups will no longer appear on audited financial statements under GASB 34. OPI plans to eliminate Funds 198 and 199 from Trustees Financial Summary (TFS) reporting and replace it with a separate step in MAEFAIRS that will provide information about changes in fixed assets and long-term debt.

**Q: On the district-wide financial statements, there is a distinction made between “Governmental Activities” and “Business-type Activities”. What funds should be reported in each column?**

A: Most activities of school districts are “Governmental activities”. Enterprise funds (70 – 79) are considered “Business-type activities”. These activities are supported by fees and charges of the activity, and the fee or charge is designed to fully recover all costs.

**Q: How should General Revenues be reported?**

A: General revenues should be reported in the following order: Property Taxes, Federal and State Aide not restricted to specific purposes (separated between General and Other), Interest and Investment Earnings, and Miscellaneous.

ASBO recommends that Property Taxes be segregated as follows:

Property taxes levied for general purposes – include property taxes for education, special education, and building operations.

Property taxes levied for debt services – include property taxes for bonded debt that have resulted in a property tax levy schedule.

Property taxes levied for specific purposes – include property taxes for, transportation, technology replacement and any other specifically segregated levy other than debt service levies.

Other taxes – include taxes that are not derived from the property tax levy process (e.g. non-levy revenues that “follow” taxes.)

**Q: How are transfers between governmental and business-type activities reported?**

A: Financial transactions between governmental and business-type activities that are not based on receiving anything in return are reported immediately below general revenues on the Statement of Activities. Transfers **between** governmental and business-type activities are reported on the district-wide statements; transfers **within** governmental and business-type activities are eliminated at the district-wide statement level.